

Carter Hawley Hale Stores, Inc.

Consolidated Statement of Earnings

(In thousands, except per share data)	Year Ended		
	August 4, 1990 (53 weeks)	July 25, 1989 (52 weeks)	July 30, 1988 (52 weeks)
Sales	\$2,857,819	\$2,787,393	\$2,617,143
Cost of goods sold, including occupancy and buying costs	2,085,344	2,001,188	1,879,664
Selling, general, and administrative expenses	617,580	607,441	587,869
Interest expense	174,234	160,344	135,600
Interest income	(12,700)		
Other (income) expense	4,831	6,000	(1,500)
Earnings (loss) from operations before income taxes	(11,470)	12,420	15,510
Income taxes	(2,000)	5,000	6,200
Earnings (loss) before extraordinary items and cumulative effect of changes in accounting	(9,470)	7,420	9,310
Extraordinary items			
Earthquake loss, net of income tax benefit of \$11,000	(16,500)		
Costs related to early retirement of debt, net of income tax benefit of \$6,200 and \$1,210		(9,250)	(1,750)
Cumulative effect of changes in accounting			
Income taxes		15,300	
Capitalization of inventory costs, net of income tax expense of \$10,440			10,100
Net earnings (loss)	\$ (25,970)	\$ 13,470	\$ 17,660
Earnings (loss) per common share			
Operations	\$ (.37)	\$ .34	\$ .33
Extraordinary items			
Earthquake loss	(.66)		
Early retirement of debt		(.42)	(.08)
Changes in accounting			
Income taxes		.70	
Capitalization of inventory costs			.47
	\$ (1.03)	\$ .62	\$ .72

See accompanying Summary of Significant Accounting Policies and Financial Review.



Carter Hawley Hale Stores, Inc.

Consolidated Balance Sheet

(In thousands)	August 4, 1990	July 29, 1989
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 14,221	\$ 27,527
Accounts receivable, net	745,883	746,305
Merchandise inventories	550,433	562,514
Other current assets	26,681	31,568
	1,337,218	1,367,914
Property and equipment, net	596,324	560,976
Other assets	111,652	59,475
	<u>\$2,045,194</u>	<u>\$1,988,365</u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Notes payable and current installments	\$ 43,721	\$ 3,575
Accounts payable	317,549	309,346
Accrued liabilities	125,573	162,228
Current income taxes	6,662	10,685
Deferred income taxes	299	8,773
	493,804	494,607
Receivables based financing	678,646	652,432
Other long-term debt	872,687	878,421
Capital lease obligations	67,110	78,244
Other liabilities	96,877	57,537
Deferred income taxes	29,890	38,741
<b>Shareholders' Equity</b>		
Common stock, \$.01 par value	298	230
Other paid-in capital	638,210	586,449
Accumulated deficit	(832,328)	(798,296)
	(193,820)	(211,617)
	<u>\$2,045,194</u>	<u>\$1,988,365</u>

See accompanying Summary of Significant Accounting Policies and Financial Review.



Carter Hawley Hale Stores, Inc.

Consolidated Statement of Cash Flows

(In thousands)	Year Ended		
	August 4, 1990 (53 weeks)	July 29, 1989 (52 weeks)	July 30, 1988 (52 weeks)
Operating activities			
Earnings (loss) from operations	\$ (9,470)	\$ 7,420	\$ 9,310
Adjustments to reconcile earnings (loss) from operations to net operating cash flows			
Depreciation and amortization	50,995	52,956	51,829
Earthquake costs	(27,500)		
Gains on asset sales	(7,298)		(30,000)
Deferred income taxes	(514)	(2,947)	(22,900)
Change in operating assets and liabilities			
Accounts receivable, net	8,272	(272,479)	72,993
Merchandise inventories	12,081	(25,858)	(103,790)
Accounts payable and accrued liabilities	(28,452)	(12,920)	40,149
Receivables securitization deposits	(15,472)	(10,134)	
Other, net	(18,529)	(12,270)	8,279
Net cash provided (used) by operating activities	(35,887)	(276,232)	25,870
Investing activities			
Purchases of property and equipment	(83,220)	(75,849)	(80,205)
Proceeds from asset sales	5,747	4,892	34,199
Net cash used by investing activities	(77,473)	(70,957)	(46,006)
Financing activities			
Increase in receivables based financing	26,214	301,432	202,000
Other issuances of long-term debt	37,182	87,215	798,630
Increase (decrease) in notes payable	40,000	(27,000)	(510,000)
Retirements of long-term debt and capital lease obligations	(53,904)	(13,755)	(115,054)
Costs relating to early retirements of long-term debt, net of items not requiring cash outlay		(974)	(1,750)
Issuances of common stock	50,562	3,155	4,587
Restructuring dividend			(346,464)
Preferred stock dividend			(2,055)
Net cash provided by financing activities	100,054	350,073	29,894
Net increase (decrease) in cash	(13,306)	2,884	9,758
Cash at the beginning of the period	27,527	24,643	14,885
Cash at the end of the period	\$ 14,221	\$ 27,527	\$ 24,643

See accompanying Summary of Significant Accounting Policies and Financial Review.



Carter Hawley Hale Stores, Inc.

Consolidated Statement of Common Stock and Other Shareholders' Equity

(In thousands)	Common Stock		Other	Accumulated
	Shares	Par Value	Paid-in Capital	Deficit
Balance, August 1, 1987	20,367	\$101,837	\$174,404	\$(130,469)
Net earnings				17,660
Cash dividends on redeemable preferred stock				(2,055)
Restructuring dividend				(346,464)
Change in common stock par value		(101,633)	101,633	
Conversion of redeemable preferred stock to common and preferred stock of The Neiman Marcus Group			298,987	
Distribution of net assets of The Neiman Marcus Group				(350,438)
Net issuances of common stock under the stock incentive plan	1,827	18	24,620	
Stock incentive plan contra*			(22,869)	
Exercise of stock options and other stock conversions	398	4	4,574	
Balance, July 30, 1988	22,592	226	\$81,349	(811,766)
Net earnings				13,470
Stock incentive plan contra*			2,042	
Exercise of stock options and other stock issuances	468	4	3,058	
Balance, July 29, 1989	23,060	230	\$86,449	(798,296)
Net loss				(25,970)
Issuance of common stock	3,450	34	25,418	
Issuances of common stock to profit sharing plan	3,223	32	23,242	
Net cancellations of common stock under the stock incentive plan	(184)	(2)	(3,249)	
Stock incentive plan contra*			4,498	
Exercise of stock options	299	4	1,852	
Recognition of additional minimum pension liability				(8,062)
Balance, August 4, 1990	29,848	\$ 298	\$638,210	\$(832,328)

\*Other Paid-in Capital is net of notes receivable and unamortized costs relating to the Company's current stock incentive plan (see Employee Stock Incentive Plans note in the Financial Review).

See accompanying Summary of Significant Accounting Policies and Financial Review.



# Carter Hawley Hale Stores, Inc.

1990  
Annual  
Report





## About the Company

Carter Hawley Hale Stores, Inc. is one of the largest department store retailers in the United States. At the end of fiscal 1990, the company operated 114 stores in the growing Sunbelt regions of the country. The company conducts its business through the following divisions:

Store Information			
Operating Division	Number	Gross Sq. Ft. In Thousands	Locations
The Broadway Southern California Los Angeles	43	7,459	Southern California
The Broadway Southwest Phoenix	11	1,744	Arizona, Colorado, Nevada, and New Mexico
Emporium San Francisco	22	3,244	Greater San Francisco Bay Area
Thalhimer Richmond	26	2,867	Virginia, North Carolina, South Carolina, and Tennessee
Weinstocks Sacramento	12	1,935	California, Nevada, and Utah
Information Services Anaheim	Provides information management and systems support for the company		



Carter Hawley Hale Stores, Inc.

Financial Highlights

	Year Ended		
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(In thousands, except per share data)			
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Earnings (loss) from operations before income taxes	\$ (11,470)	\$ 12,420	\$ 15,510
Net earnings (loss)	\$ (9,470)	\$ 7,420	\$ 9,310
Operations	(16,500)	(9,250)	(1,750)
Extraordinary items		15,300	10,100
Changes in accounting	\$ (25,970)	\$ 13,470	\$ 17,660
Earnings (loss) per common share	\$ (.37)	\$ .34	\$ .33
Operations	(.66)	(.42)	(.08)
Extraordinary items		.70	.47
Changes in accounting	\$ (1.03)	\$ .62	\$ .72
Average shares	25,116	21,818	21,798

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Carter Hawley Hale Stores, Inc.

To Our Shareholders:

**F**iscal 1990 proved to be a difficult year for Carter Hawley Hale and retailers in general, particularly those in the Western United States and California.

Northern California results were hard hit by the San Francisco area earthquake in October 1989. Twelve of our 22 stores were closed for varying periods of time with one, Emporium's downtown Oakland store, closed for most of the fiscal year. Profits for the corporation were materially affected, both by the physical damage and slower sales in ensuing months.

Sales were \$2,857.8 million compared with \$2,787.4 million for the prior year, an increase of 2.5 percent. Excluding Oakland from both years, total sales increased 3.8 percent while comparative store sales increased 2.0 percent.

The net loss for 1990 of \$26.0 million, or \$1.03 per share, compares with net earnings of \$13.5 million, or \$.62 per share, in 1989. The 1990 net loss includes an extraordinary charge of \$16.5 million, net of tax, related to the uninsured portion of the loss from the earthquake.

Earlier this month, the company announced that it had reached an agreement to sell Thalhimers, a wholly-owned subsidiary, to May Department Stores for approximately \$325 million in a transaction expected to be substantially free of tax, and anticipated to close prior to December 31st.

The decision to sell Thalhimers was reached after careful deliberations and consultations with our outside investment advisors. Three important objectives will be achieved upon completion of this transaction: first, the company will have significantly reduced its outstanding debt and strengthened its balance sheet; second, we will have more flexibility in proceeding with a plan to streamline operations in the western department store divisions; and third, modernization of the stores can be achieved more rapidly through the concentration of financial resources.

It is also important to note that earnings per share are expected to improve as a result of this sale due to the reduction of direct overhead related to Thalhimers and the paydown of debt.

The most important project currently underway at the company involves a major consolidation of activities and functions which take place behind the scenes and away from the selling floors of our stores — a program which will eliminate redundancies and achieve major reductions in our operating costs.

These actions, which are being implemented over the next 12 to 18 months, are expected to produce an annual reduction of more than \$35 million in operating expenses, half of which will be achieved in the current fiscal year.

Modernization of existing store facilities will continue to be one of the highest priorities of the company, with programs calling for the expenditure of approximately \$110 million over the next 24 months. We anticipate that this program will continue to accelerate in the years ahead, with eight to ten stores per year eventually being affected.



The Emporium store in downtown Oakland, which had been closed for ten months as a result of earthquake damage, was re-opened on August 10, 1990. The store has been completely remodeled and is off to a strong start, with sales running well ahead of prior year results.

A new Broadway store opened in Santa Barbara, California, on August 17, 1990. Located in a newly developed shopping center and well positioned for customer convenience, the store has set record levels for opening sales volume and continues to perform at a very strong pace.

During the fiscal year, Robert O. Anderson, president and chief executive officer of Pauley Petroleum Inc., and a director of the company since 1975, retired from our board. His good advice and wise counsel have contributed importantly to the company over his many years of service on our board.

Also during the year, several important executive changes occurred. Barbara Bass, formerly chairman and chief executive officer of I. Magnin, was appointed president and chief executive officer of Emporium. Ms. Bass has effected important changes in direction during the past year and positioned that division for improved sales and profitability going forward.

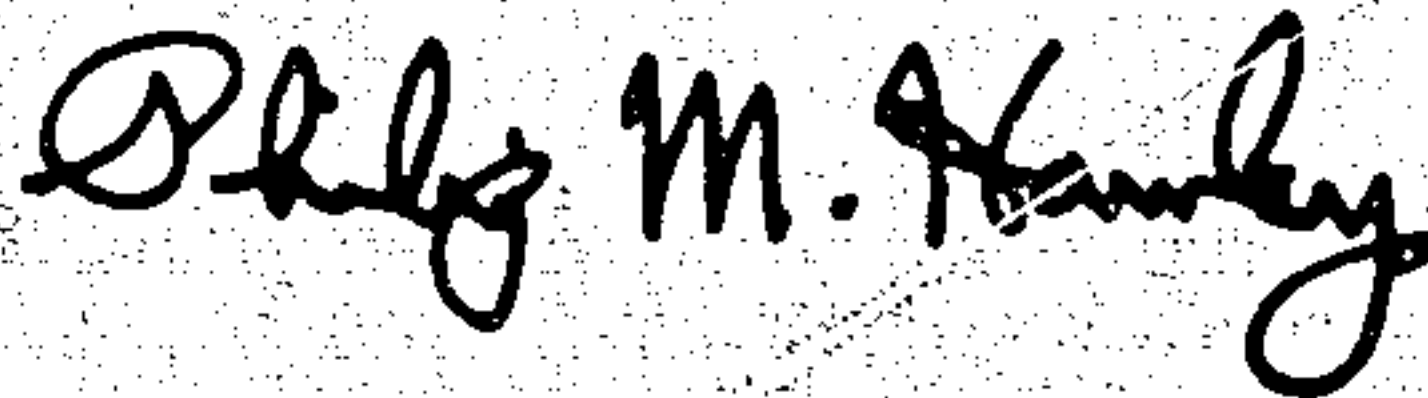
Thomas E. Dokter, formerly president and chief executive officer of The Broadway-Southwest, was named president of The Broadway-Southern California. In returning to Southern California, Mr. Dokter brings a broad level of merchandising experience to his new responsibilities. He replaced Richard F. Clayton, who was named vice chairman of that operating division.

Carolyn F. Greer was named president and chief executive officer of The Broadway-Southwest, succeeding Mr. Dokter. Ms. Greer was formerly senior vice president with Rich's in Atlanta, and brings a strong background of executive and fashion experience to her new responsibilities in the Southwest.

At Weinstocks, Gregory C. Crews, president of that division, was given the additional responsibilities of chief executive officer.

We are fully committed to accomplishing a major improvement in the profitability of this company in the current difficult retail environment. We are realistic about the size of the challenge, dedicated to its achievement, and fully prepared to take the required actions to move forward. I would like to again thank all of my associates who have put forth an extra dimension of contribution over the past year, and who are working in such a dedicated fashion at the present time.

Sincerely,



Philip M. Hawley  
Chairman and Chief Executive Officer  
October 23, 1990



## Review of Operations

**E**mporium Oakland Last October's earthquake in the Bay Area closed twelve of Emporium's twenty-two stores for varying periods of time with one, downtown Oakland, closed for most of the fiscal year.

The reopening of Oakland in August represents an important turning point for Emporium. The newly remodeled store effectively blends the traditional elements of the old flagship with a new, more updated fashion image. Results to date have exceeded expectations, and the residents of Oakland have demonstrated their commitment to keep retailing as a viable force in the downtown area. The change in Oakland also mirrors the changes that have taken place within Emporium over the last year.

A key emphasis has been on the women's apparel business, since it is the benchmark by which customers evaluate all of the merchandise in the store. The Emporium customer desires fashionable goods in the moderate, upper moderate and better price points, with a heavy concentration at the moderate level. Over the last year, Emporium has traded up the taste levels of its assortments to better match that of the updated, fashion conscious customer. This customer wants great looking merchandise that is of recognizable quality, all at an affordable price. An organization is now in place that is more disciplined, still aggressive, and infused with the taste level required.

In the area of customer service, the focus is on building a culture that provides for a more personal relationship between the customer and sales associate. Going forward, success will depend on the development of long-term clientele relationships. To reinforce this culture, management has changed hiring practices, dress codes, and selling standards. Customer service has been taken out of the training department and made a responsibility of everyone in the organization.

Emporium has also changed its approach to the overall shopping experience, using special events to make Emporium a fun place to shop for all members of the family. Monthly activities range from fashion shows to cooking demonstrations to activities for children, creating an atmosphere that differentiates Emporium from the competition.

**T**he Broadway Santa Barbara In August 1990, The Broadway-Southern California opened a store in Santa Barbara, a new market for The Broadway, and enjoyed the most successful opening in its history.

Located in Paseo Nuevo Mall, downtown Santa Barbara, the 144,000 square foot, three-floor facility demonstrates a refinement of the company's merchandising and store design strategy. Merchandise is presented within shops with a lifestyle approach, meaning entire outfits can be put together and purchased from a specific area. These presentation areas, or stages, are designed to focus the customer's sight lines on the merchandise, with excitement added through the use of lighting and enhanced visual presentation. The store layout brings the customer closer to the merchandise, with no department being more than thirty feet deep. Back walls are also used to present additional merchandise and excitement. The basic idea is to use the color, size and shape of merchandise as design elements of the store. Customers must see the merchandise first — before they are aware of any other design elements.

One of the benefits of this store design is that it also accommodates 25 percent more in inventory per square foot, without looking overcrowded.



In terms of merchandise mix, the Santa Barbara store also represents the prototype for the company's approach. The Broadway dominates the moderate to upper moderate business in Southern California, holding the largest market share in many of the major merchandise classifications. At the same time, over the last five years it has developed into a fashion leader through a long-term commitment to better resources within its merchandise mix.

At Santa Barbara, this approach translates to a Perry Ellis shop in the men's area with a complete wardrobe of modern classics from city sportswear and tailored clothing to dress shirts, ties and belts. It also includes men's shops for Christian Dior, Guess, and Chaps from Ralph Lauren. Major apparel shops for women are presented by Liz Claiborne, Carole Little, Ellen Tracy, Jones New York, and Evan Picone. The store has accessories from Anne Klein, Coach, Laurel Burch, Liz Claiborne, and more; an outstanding day-into-evening assortment of dresses from Adrienne Vittadini, Albert Nippon, Kasper, and Andrea Jovine; and hot names in the cosmetics field, including Giorgio, Obsession, Passion, and Guerlin.

Housewares and home entertaining lines also represent this commitment to fashion at a moderate price, with merchandise from Calphalon, Krups, Lenox, and a Waterford collection that is second to none. The gift department includes imported painted furniture, decorative ceramics, and the largest Seymour Mann doll collection in Southern California.

The updated store design and merchandise mix is complemented by a commitment to deliver the best customer service in Santa Barbara, a challenge that the sales associates have embraced. This reflects the strategic approach Carter Hawley Hale has followed since the mid-1980's, and an area that has shown improvement on a year-by-year basis.

**C**entralization Programs Over the last four years the company has centralized selected sales support activities, including store planning and construction, distribution, traffic, purchasing and loss prevention. With the sale of Thalhimers, Carter Hawley Hale will now be focused exclusively on the Western United States and these centralization efforts will be accelerated. The benefits of these efforts can best be judged by looking at the results of previously implemented programs.

Store planning and construction was centralized at the corporate office in 1988 in order to provide greater consistency and higher quality to our store facilities, while at the same time producing cost efficiencies. The concept of centralization in this area deals with the issue of available expertise and technical proficiency and how best to use these human assets. Better use of these assets, combined with centralized purchasing of fixtures and other materials, produces the cost reductions while at the same time improving quality.

Today all new store planning and construction, as well as the remodeling of older stores, is overseen by the corporate office. As a result actual expenditures per project have been reduced by about five percent, and the total work force dedicated to store planning and construction has been reduced by approximately fifteen percent.

Beginning in 1985, the company began developing a new approach to the distribution and transportation of merchandise, one that ran counter to the decentralized approach historically practiced by Carter Hawley Hale and most of its competitors. An opportunity to standardize methods and operations, improve productivity, and reduce costs was quickly apparent.



Operating responsibility for distribution centers was transferred to corporate headquarters. Modernization of the physical plants was completed in four of the centers and productivity based wage incentives were instituted. Merchandise transportation was also centralized during this time period and a comprehensive, nationwide transportation network was put in place for rapid merchandise flow from supplier to specific store location.

The centralization of these two areas has resulted in a significant improvement in the delivery of fresh merchandise to the sales floor, with the average now being three days of receipt. The more efficient operations have also been able to absorb the demand of higher workloads while still providing significant expense reductions. Since the strategy was implemented, the centralization of distribution and merchandise transportation has cut these expenses by more than 20 percent.

The purchasing of supplies for all stores was also centralized. This change in approach has resulted in a number of benefits, including an upgrading of the image in all customer communications, improved quality, and higher revenue from gift wrap services. The savings generated have proven to be a classic example of the economies of scale that can be realized from centralization. In addition, the headcount of people involved in this process has been reduced by 35 percent through automation and the outsourcing of appropriate activities.

Ongoing initiatives to create an automated replenishment system for supplies and to further encourage gift wrap sales will complement these previous efforts and further reduce expenses in this area.

Loss prevention performance has improved significantly in the last four years due to greater standardization and associate awareness. Inventory shortage has been reduced by almost half over that time period, and the apprehension of shoplifting suspects has tripled. Professionalism has improved through a demanding executive selection process reinforced by a tailor made management development program designed specifically for loss prevention executives. The development of these programs and the change in approach has proven effective.

Specifically, the use of information systems to track inventory by store has enabled loss prevention to identify the causal factors of shortage by merchandise department, classification and, in many cases, by vendor and to the specific fixture location in a store. Analysis of this information has led to changes in the way merchandise is presented, as well as associate staffing levels. There is also a greater appreciation by store associates of the financial impact shortage has on company profits.

Price control systems, such as price management and price look-up, have been developed to provide automatic pricing changes and ensure uniform treatment of markdowns and returns. Both have served to improve the accuracy of the company's inventory shortage reporting. In addition, through the use of automated manifest systems, the accuracy of merchandise shipments to the stores has improved and the ability to determine exactly where a theft has occurred has been increased. Store managers have also been given more ownership of the shortage problem within their four walls because of this manifest system.



Programs presently being implemented promise to also deliver material savings in the range of \$35 million on an annualized basis.

Essentially all non-selling areas of our operations are being examined as part of this effort to strategically realign the business. The objective is to streamline operations, making them more customer driven and less redundant.

In the accounting area we are centralizing functions, such as accounts payable, at the corporate level. Sales support personnel, merchandise handling, housekeeping, and sales promotion are other areas being addressed.

The consolidation of credit operations is being currently undertaken in conjunction with the formation of a national credit card bank, which will be headquartered in Phoenix, Arizona. Besides delivering efficiencies and cost savings, this new operating structure will provide a more uniform credit program for our customers. Currently, credit card programs are subject to a number of inconsistent state consumer laws concerning terms, rates, and disclosure. With the formation of the credit card bank, the need to monitor and comply with individual state laws will be eliminated. In addition, the number of employees working in the credit area of our business will be reduced by about 25 percent.

Initially the focus of the bank's operations will be making credit card loans to Carter Hawley Hale's retail credit customers. However, the formation of the bank does provide other long-term options, including the issuance of Mastercard and Visa cards and providing credit card processing services to other card issuers.



## Management's Discussion and Analysis of Results of Operations and Financial Condition

### Results of Operations

#### Overview

The results of operations for the three years in the period ended August 4, 1990 include certain non-recurring charges. The loss from operations of \$9.5 million in 1990 compares to income from operations of \$7.4 million and \$9.3 million in 1989 and 1988, respectively. The 1990 results from operations include a charge of \$22.2 million for the effect of the LIFO inventory method as compared to \$.3 million in 1989 and \$4.8 million in 1988. The 1990 decision to consolidate certain corporate buying programs and the 1989 transfer of administration of group buying programs to Associated Merchandising Corp., an independent retail organization, resulted in charges of \$12.1 million and \$6.0 million in 1990 and 1989, respectively. The results from operations for 1988 include \$28.5 million for costs associated with operational and facilities realignment programs.

The items noted above were partially offset by certain non-recurring credits. In 1990, the Company recognized interest income of \$12.7 million related to the settlement of IRS examinations. In addition, the results from operations include gains of \$7.3 million and \$30.0 million related principally to sales of interests in shopping centers in 1990 and 1988, respectively.

Excluding the effects of the LIFO method of inventory valuation and the other items described above, earnings before interest expense and income taxes were \$177.1 million in 1990 as compared to \$179.1 million and \$154.4 million in 1989 and 1988, respectively.

#### Sales

Sales for 1990 were \$2.9 billion, an increase of 2.5 percent as compared to 1989. Sales were adversely impacted by the closure through August 1990 of the downtown Oakland Emporium store, which sustained significant damage during the October 1989 earthquake. Excluding the sales for the Oakland store, total sales increased 3.8 percent and comparative store sales increased 2.0 percent from the prior year.

Sales for 1989 increased 6.5 percent to \$2.8 billion as compared to 1988. On a comparative store basis, sales increased 5.6 percent.

#### Costs and Expenses

Cost of goods sold as a percent of sales was 73.0 percent in 1990 as compared to 71.8 percent in 1989. The increase in the percentage was the result of the significant inflation effect in 1990 on the LIFO method of inventory valuation and an increase in markdowns in response to an increasingly competitive retail market.

Selling, general and administrative expenses as a percent of sales decreased to 21.6 percent in 1990 as compared to 21.8 percent in 1989. This improvement resulted from increased finance charge revenue from the Company's credit card operations, which was partially offset by increases in selling and sales promotion expense in response to increased competitive pressures and bad debt expense related to the changes in the Company's customer accounts receivable portfolio.

During 1989 and 1988, the cost of goods sold as a percent of sales was 71.8 percent.

Selling, general and administrative expense was 21.8 percent of sales in 1989 as compared to 22.5 percent in 1988. The decrease was primarily attributable to increased finance charge revenue resulting from the Company's credit card operations.



#### *Interest Expense*

Interest expense for 1990 was \$174.2 million, an increase of 8.7 percent as compared to 1989. The increase was attributable to increased borrowings to finance increases in receivables generated by the company's credit card operations.

The increase in interest expense of \$24.7 million or 18.2 percent in 1989 as compared to 1988 was also attributable to increased borrowings required to finance increases in customer receivables generated by the company's credit card operations.

#### *Income Taxes*

In 1990, the company recorded an income tax benefit of \$2.0 million at an effective rate of 17.4 percent as compared to an income tax provision of \$5.0 million in 1989 at an effective rate of 40.3 percent. The 1990 tax benefit was reduced as a result of the effect of state income taxes for which there are limited operating loss carryforwards.

The effective tax rate of 40.3 percent in 1989 was consistent with the 1988 effective tax rate of 40.0 percent.

#### *Net Earnings*

The net loss for 1990 of \$26.0 million or \$1.03 per share compares to net earnings of \$13.5 million or \$.62 per share in 1989. The 1990 net loss includes an extraordinary charge of \$16.5 million, net of tax, related to the uninsured loss associated with the October 1989 San Francisco earthquake. This loss includes physical damage and business interruption losses resulting from the earthquake. Net earnings for 1989 include an extraordinary charge of \$9.2 million, net of tax, for the write-off of unamortized costs primarily associated with the early retirement of debt in conjunction with the establishment of the company's accounts receivable securitization facility. The 1989 extraordinary charge was offset by a credit of \$15.3 million, net of tax, resulting from a change in the method of accounting for income taxes resulting from the adoption of SFAS No. 96.

Net earnings for 1989 decreased by \$4.2 million from \$17.7 million or \$.72 per share in 1988. The 1988 net earnings included an extraordinary charge of \$1.7 million, net of tax, related to the early retirement of debt, offset by a credit of \$10.1 million, net of tax, resulting from a change in accounting for inventory costs.

#### *Inflation*

The effect of inflation on the increases in the company's sales is, in the opinion of management, most closely approximated by the Department Store Inventory Price Index published by the Bureau of Labor Statistics. This index increased 3.0 percent in 1990 as compared to 1.3 percent and 3.3 percent in 1989 and 1988, respectively.

#### *Financial Condition*

The Company depends on operating cash flows and short-term borrowings to provide short-term liquidity. In 1989, the Company established a credit card securitization facility to fund its credit card operations. The facility provides for CHH Commercial Paper, Inc., a special purpose corporation not affiliated with the Company, to acquire interests in the Company's credit card receivables through the issuance of commercial paper. The facility, which was increased to \$850.0 million in 1990, has an initial term ending December 1991, with a provision for annual extensions thereafter. At August 4, 1990, \$678.6 million was financed under the facility, of which 69 percent was protected from significant rate fluctuations by swap and interest rate cap agreements for periods of four to sixteen months. In addition to the securitization facility, the Company has a working capital facility which initially provides for borrowings of up to \$140.0 million consisting of working capital advances of \$65.0 million and letters of credit of \$75.0 million. At August 4, 1990, outstanding working capital advances under the facility were \$40.0 million. Outstanding letters of credit at August 4, 1990 were \$60.0 million. Borrowings under the facility bear interest at variable rates, and the unused portion of the facility is subject to a commitment fee.



In December 1989, the Company issued 5.8 million shares of common stock. The net proceeds from the offering were \$44.0 million, of which a substantial amount was used in 1990 to finance the Company's store modernization programs.

During 1990, the Company assumed \$7.2 million of mortgage debt in connection with the purchases of two stores which were previously operated under capital leases. In connection with these purchases, the Company eliminated capital lease obligations of \$7.6 million.

On October 9, 1990, the Company entered into an agreement with May Department Stores Company to sell Thalhimers Brothers, Inc., for approximately \$325 million subject to closing adjustments. The closing of the transaction is subject to certain conditions including regulatory approval. Approximately \$180 million of the proceeds from the sale of Thalhimers will be used to reduce the outstanding debt associated with Thalhimers. In addition, short-term borrowings under the Company's receivables securitization facility will be reduced with \$140 million of the proceeds. As a result of the reduction in short-term borrowings, the Company will have improved flexibility associated with the increased available borrowing capacity under the facility.

The sale of Thalhimers will allow the Company to completely focus on the West coast markets. In addition to the reduction of interest expense resulting from the repayment of debt with a portion of the proceeds, the sale of Thalhimers will allow the Company to eliminate certain corporate overhead directly related to Thalhimers. The reductions of interest and corporate overhead expenses are expected to offset Thalhimers contribution to operating profit.

In connection with the sale of Thalhimers, the Company will be replacing its current working capital facility. In this regard, Bank of America has agreed to lead a new \$100 million collateralized working capital facility of which \$75 million will be provided by Bank of America and \$25 million will be syndicated to other banks.

The Company has also undertaken expense reduction programs directed at capitalizing on the available efficiencies associated with the operation of a more centralized business. These programs include consolidating divisional administrative activities, eliminating redundant functions, and reducing overhead at the operating divisions and the corporate office. Implementation of these programs began in October 1990 and is expected to continue over the next 18 months. The Company anticipates that the effects of the expense reduction programs will significantly reduce operating expenses in 1991 and future years.

Capital expenditures are financed through a combination of funds internally generated from operations, property financings, other borrowings and equity issuances. Capital expenditures for the new store space, store modernization, support facilities and equipment were \$78.6 million in 1990. Shortly after fiscal 1990 year end, The Broadway-Southern California opened a store in Santa Barbara's new Paseo Nuevo shopping center. Thalhimers opened a store in Winston Salem's Hanes Mall in October 1990, replacing a smaller store located in the same mall. In addition, Thalhimers opened a store in Colonial Heights, Virginia, at the beginning of fiscal 1990.

The Company will concentrate its capital expenditures over the next two years on store modernization. Two Broadway-Southwest stores, currently under construction in East Mesa and Paradise Valley, Arizona, will open in fiscal 1991 and no new stores are planned to open in fiscal 1992.



Carter Hawley Hale Stores, Inc.

Consolidated Statement of Earnings

	Year Ended		
	August 4, 1990 (53 weeks)	July 29, 1989 (52 weeks)	July 30, 1988 (52 weeks)
<i>(In thousands, except per share data)</i>			
Sales	\$2,857,819	\$2,787,393	\$2,617,143
Cost of goods sold, including occupancy and buying costs	2,085,344	2,001,188	1,879,664
Selling, general, and administrative expenses	617,580	607,441	587,869
Interest expense	174,234	160,344	135,600
Interest income	(12,700)		
Other (income) expense	4,831	6,000	(1,500)
Earnings (loss) from operations before income taxes	(11,470)	12,420	15,510
Income taxes	(2,000)	5,000	6,200
Earnings (loss) before extraordinary items and cumulative effect of changes in accounting	(9,470)	7,420	9,310
Extraordinary items	(16,500)		
Earthquake loss, net of income tax benefit of \$11,000			
Costs related to early retirement of debt, net of income tax benefit of \$6,200 and \$1,210		(9,250)	(1,750)
Cumulative effect of changes in accounting		15,300	
Income taxes			
Capitalization of inventory costs, net of income tax expense of \$10,440			10,100
Net earnings (loss)	\$ (25,970)	\$ 13,470	\$ 17,660
Earnings (loss) per common share			
Operations	\$ (.37)	\$ .34	\$ .33
Extraordinary items			
Earthquake loss	(.66)		
Early retirement of debt		(.42)	(.08)
Changes in accounting		.70	
Income taxes			.47
Capitalization of inventory costs			
	\$ (1.03)	\$ .62	\$ .72

See accompanying Summary of Significant Accounting Policies and Financial Review.



Carter Hawley Hale Stores, Inc.

Consolidated Balance Sheet

(In thousands)	August 4, 1990	July 29, 1989
<b>Assets</b>		
Current assets	\$ 14,221	\$ 27,527
Cash	745,883	746,305
Accounts receivable, net	550,433	562,514
Merchandise inventories	26,681	31,568
Other current assets	1,337,218	1,367,914
Property and equipment, net	596,324	560,976
Other assets	111,652	59,475
	<b>\$2,045,194</b>	<b>\$1,988,365</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities	\$ 43,721	\$ 3,575
Notes payable and current installments	317,549	309,346
Accounts payable	125,573	162,228
Accrued liabilities	6,662	10,685
Current income taxes	299	8,773
Deferred income taxes	493,804	494,607
Receivables based financing	678,646	652,432
Other long-term debt	872,687	878,421
Capital lease obligations	67,110	78,244
Other liabilities	96,877	57,537
Deferred income taxes	29,890	38,741
Shareholders' Equity	298	230
Common stock, \$.01 par value	638,210	586,449
Other paid-in capital	(832,328)	(798,296)
Accumulated deficit	(193,820)	(211,617)
	<b>\$2,045,194</b>	<b>\$1,988,365</b>

See accompanying Summary of Significant Accounting Policies and Financial Review.



Cartel Hawley Hale Stores, Inc.

Consolidated Statement of Cash Flows

	Year Ended		
	August 4, 1990 (53 weeks)	July 29, 1989 (52 weeks)	July 30, 1988 (52 weeks)
(In thousands)			
Operating activities	\$ (9,470)	\$ 7,420	\$ 9,310
Earnings (loss) from operations			
Adjustments to reconcile earnings (loss) from operations to net operating cash flows			
Depreciation and amortization	50,995	52,956	51,829
Earthquake costs	(27,500)		
Gains on asset sales	(7,298)		(30,000)
Deferred income taxes	(514)	(2,947)	(22,900)
Change in operating assets and liabilities			
Accounts receivable, net	8,272	(272,479)	72,593
Merchandise inventories	12,081	(25,858)	(103,790)
Accounts payable and accrued liabilities	(28,452)	(12,920)	40,149
Receivables securitization deposits	(15,472)	(10,134)	
Other, net	(11,529)	(12,270)	8,279
Net cash provided (used) by operating activities	(35,887)	(276,232)	25,870
Investing activities			
Purchases of property and equipment	(83,220)	(75,849)	(80,205)
Proceeds from asset sales	5,747	4,892	34,199
Net cash used by investing activities	(77,473)	(70,957)	(46,006)
Financing activities			
Increase in receivables based financing	26,214	301,432	202,000
Other issuances of long-term debt	37,182	87,215	798,630
Increase (decrease) in notes payable	40,000	(27,000)	(510,000)
Retirements of long-term debt and capital lease obligations	(53,904)	(13,755)	(115,054)
Costs relating to early retirements of long-term debt, net of items not requiring cash outlay		(974)	(1,750)
Issuances of common stock	50,562	3,155	4,587
Restructuring dividend			(346,464)
Preferred stock dividend			(2,055)
Net cash provided by financing activities	100,054	350,073	29,894
Net increase (decrease) in cash	(13,306)	2,884	9,758
Cash at the beginning of the period	27,527	24,643	14,885
Cash at the end of the period	\$ 14,221	\$ 27,527	\$ 24,643

See accompanying Summary of Significant Accounting Policies and Financial Review.



Carter Hawley Hale Stores, Inc.

Consolidated Statement of Common Stock and Other Shareholders' Equity

(In thousands)	Common Stock		Other	Accumulated
	Shares	Par Value	Paid-in Capital	Deficit
Balance, August 1, 1987	20,367	\$101,837	\$174,404	\$(130,469)
Net earnings				17,660
Cash dividends on redeemable preferred stock				(2,055)
Restructuring dividend				(346,464)
Change in common stock par value		(101,633)	101,633	
Conversion of redeemable preferred stock to common and preferred stock of The Neiman Marcus Group			298,987	
Distribution of net assets of The Neiman Marcus Group				(350,438)
Net issuances of common stock under the stock incentive plan	1,827	18	24,620	
Stock incentive plan contra*			(22,869)	
Exercise of stock options and other stock conversions	398	4	4,574	
Balance, July 30, 1988	22,592	226	\$81,349	(811,766)
Net earnings				13,470
Stock incentive plan contra*			2,042	
Exercise of stock options and other stock issuances	468	4	3,058	
Balance, July 29, 1989	23,060	230	\$86,449	(798,296)
Net loss				(25,970)
Issuance of common stock	3,450	34	25,418	
Issuances of common stock to profit sharing plan	3,223	32	23,242	
Net cancellations of common stock under the stock incentive plan	(184)	(2)	(3,249)	
Stock incentive plan contra*			4,498	
Exercise of stock options	299	4	1,852	
Recognition of additional minimum pension liability				(8,062)
Balance, August 4, 1990	29,848	\$ 298	\$638,210	\$(832,328)

\*Other Paid-In Capital is net of notes receivable and unamortized costs relating to the Company's current stock incentive plan (see Employee Stock Incentive Plans note in the Financial Review).

See accompanying Summary of Significant Accounting Policies and Financial Review.



## Summary of Significant Accounting Policies

### *The Restructuring*

On August 26, 1987, shareholders approved a plan of restructuring (the Restructuring) in which the Company was reorganized into two separate companies. The operations of the Company's specialty store divisions comprising Bergdorf Goodman, Contempo Casuals, and Neiman Marcus were transferred to The Neiman Marcus Group, a Delaware corporation formed in 1987. The Company continues to operate the department store divisions comprising The Broadway-Southern California, The Broadway-Southwest, Emporium, Thalhimers, and Weinstocks.

All public common shareholders of the Company, including participants in the Company's profit sharing plan, retained their stock in the Company and also received \$17 in cash and a share of common stock in The Neiman Marcus Group for each Company share held. The convertible preferred shares of the Company (held by General Cinema Corporation) were exchanged for shares in The Neiman Marcus Group. General Cinema received no cash or shares of the Company in respect of its preferred shares. Senior Management of the Company received no cash or shares of The Neiman Marcus Group in exchange for their existing holdings, except for the shares held in the profit sharing plan, but, received instead, additional common shares of the Company. The Restructuring allowed certain shareholders, including participants in the profit sharing plan, to elect what cash or securities they would hold after the effective time of the Restructuring and incorporated a market formula designed to provide all shareholders with essentially equivalent value.

### *Basis of Reporting*

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation. Certain amounts reported in prior years have been reclassified to conform to the 1990 presentation.

### *Fiscal Year*

In conjunction with the Restructuring, the Company changed its fiscal year end from the Saturday closest to January 31 to the Saturday closest to July 31. In order for the Company's quarterly reporting periods to remain comparative with retail companies reporting on the basis of a 53 week fiscal year ended February 3, 1990, the Company's second quarter was extended by one week to comprise the 14 week period ended February 3, 1990. As a result, the 1990 fiscal year comprises the 53 week period ended August 4, 1990. Fiscal 1989 and 1988 comprise the 52 week periods ended July 29, 1989 and July 30, 1988.

### *Changes in Accounting Policies*

In 1990, the Company adopted the Balance Sheet provisions of Statement of Financial Accounting Standards No. 87 "Employers' Accounting for Pensions" for all defined benefits plans. The statement requires recognition of an additional minimum liability if the accumulated pension plan benefit obligation exceeds the fair market value of plan assets. The application of these provisions in 1990 resulted in the recognition of an additional minimum pension liability of \$47.1 million offset by an intangible asset of \$33.7 million, a reduction in deferred taxes of \$5.3 million, and a direct charge to equity of \$8.1 million.

In 1989, the Company adopted Statement of Financial Accounting Standards No. 96 "Accounting for Income Taxes." This statement requires the use of the liability method of accounting for income taxes and requires the adjustment of previously recorded deferred tax liabilities and assets for the effects of changes in tax laws or rates through the date of the latest financial statements presented. The cumulative effect of the change on prior years was a gain of \$15.3 million which has been reflected in net earnings for the first quarter of 1989. The change had no material effect on 1989 net earnings from operations.



In 1988, the Company changed its method of inventory cost capitalization to conform to the uniform cost capitalization rules required for tax purposes under the Tax Reform Act of 1986. The change results in the capitalization of certain inventory storage and processing costs to better match these costs with the related sales. The cumulative effect of the change on prior years was a gain of \$10.1 million, net of income taxes of \$10.4 million, which has been reflected in net earnings in the first quarter of 1988. The change had no material effect on 1988 net earnings from operations.

#### *Sales*

Sales are net of returns, exclude sales tax, and comprise merchandise, services, and sales by leased departments.

#### *Customer Accounts Receivable*

An account is generally written off when the aggregate of payments made in the most recent six months is less than one full monthly scheduled payment, or if it is otherwise determined that the account is uncollectible.

#### *Inventories*

Merchandise inventories are valued at cost, which is less than market, as determined by the retail method on the last-in, first-out (LIFO) basis.

#### *Property and Equipment*

Property and equipment are recorded at cost and include major renewals and improvements of a permanent nature. Other renewals and improvements and maintenance and repairs are expensed.

#### *Depreciation and Amortization*

Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the property and equipment, or over the terms of the related leases, if shorter. Debt acquisition costs are amortized over the life of the related debt.

#### *Income Taxes*

Income taxes are provided currently for all items included in the Consolidated Statement of Earnings regardless of when such taxes are payable. Deferred taxes arise from the recognition of revenues and expenses in different periods for tax and financial statement purposes.

#### *Earnings Per Share of Common Stock*

Earnings per share are computed on the basis of the weighted average number of shares outstanding during the year, including dilutive stock options, net of shares deemed repurchased in connection with the Company's stock incentive plan. The average shares used were 25.1 million in 1990 and 21.8 million in both 1989 and 1988. In 1988, earnings per share computations were based on earnings net of preferred dividend payments of \$2.1 million.

Fully diluted earnings per share have not been presented since there was no dilution or the dilutive effect was not material.



## Financial Review

*Extraordinary Earthquake Loss*

The Emporium division of the Company, which operates 22 stores in the San Francisco Bay area, suffered extensive damage as a result of the major earthquake which affected that area on October 17, 1989. Eleven stores were closed for periods of one to eleven days and the division's downtown Oakland store remained closed until August 1990. The Company maintains earthquake and business interruption insurance with standard deductible provisions that require the Company to incur an initial level of costs at each location subject to damage or interruption of business. In the quarter ended October 28, 1989, the Company recorded a \$10.5 million extraordinary charge, net of income tax benefits of \$7.0 million, to cover estimated earthquake costs to be incurred additional to expected insurance proceeds. Actual net earthquake costs were greater than originally estimated and have been reflected in fourth quarter 1990 results as an additional extraordinary charge of \$6.0 million, net of income tax benefits of \$4.0 million.

*Other (Income) Expense*

Other (income) expense comprises the following:

(In millions)	1990	1989	1988
Gains on asset sales	\$(7.3)		\$(30.0)
Costs of operational and facility realignment programs			28.5
Costs of buying office closure and reconfiguration of buying programs	12.1	\$6.0	
Other (income) expense	\$4.8	\$6.0	\$(1.5)

*Interest Expense*

Interest expense increased in 1990 and 1989 as a result of higher average debt levels required to finance the increased receivable levels being generated by the Company's credit card operations. The components of interest expense are as follows:

(In millions)	1990	1989	1988
Interest on total debt	\$166.1	\$151.4	\$123.3
Imputed interest on capitalized lease obligations	6.9	7.4	8.3
Capitalized interest	(4.5)	(2.6)	(1.0)
Amortization of debt issuance costs	7.1	5.4	5.6
Other	(1.4)	(1.2)	(.6)
Interest expense	\$174.2	\$160.4	\$135.6

Accrued interest totaling \$26.3 million at August 4, 1990 and \$27.0 million at July 29, 1989 is reflected in accrued liabilities. Interest payments, net of amounts capitalized, were \$169.2 million in 1990, \$156.0 million in 1989, and \$112.2 million in 1988.

*Income Tax Expense (Benefit)*

The provision (benefit) for income taxes consists of:

(In millions)	1990	1989	1988
Current			
Federal	\$(2.9)	\$7.1	\$22.4
State	1.4	.8	6.7
	(1.5)	7.9	29.1
Deferred			
Federal	(.3)	(3.0)	(19.0)
State	(.2)	.1	(3.9)
	(.5)	(2.9)	(22.9)
Income tax expense (benefit)	\$(2.0)	\$5.0	\$6.2

Deferred income tax benefits result from temporary differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these temporary differences and their tax effects are:

(In millions)	1990	1989	1988
State income taxes	\$ .9	\$ .2	\$ (1.6)
Book-tax depreciation differential	6.9	3.7	(.6)
Finance charge revenue	1.1	.7	.1
Deferred revenue	(2.8)	1.6	1.2
Capitalized interest and other real estate costs	2.1	1.9	1.0
Prepaid and other deferred charges	9.1	7.9	(2.9)
Inventory adjustments	(2.4)	(2.4)	.6
Functional consolidation and restructuring reserves	6.6	5.9	(3.1)
Deferred gross profit on installment sales	(20.6)	(21.5)	(16.3)
Charitable contribution carryover		(1.3)	
Tax credit carryovers	.9	(1.5)	
Other, net	(2.3)	1.9	(1.3)
Deferred income tax benefit	\$ (.5)	\$ (2.9)	\$(22.9)



Factors causing the Company's effective income tax rate to differ from the federal statutory rate are as follows:

(Percent of Pre-tax Earnings)	1990	1989	1988
Federal income tax at statutory rate	(34.0)%	34.0%	34.0%
State income taxes	15.2	9.7	11.9
Targeted Jobs tax credits		(4.9)	(4.5)
Adjustments to taxes previously recorded	(2.1)		
Other, net	3.5	1.5	(1.4)
Effective income tax rate	(17.4)%	40.3%	40.0%

In 1990, the Company received a tax refund of \$8.4 million as a result of the settlement of IRS examinations for fiscal years 1973 through 1983. The settlement also included \$12.7 million of interest on the refunded income taxes which has been reflected as interest income in 1990 operating results.

The Company has tax basis net operating loss carryforwards of approximately \$42 million for federal purposes and \$33 million for state purposes and federal business credit carryforwards of approximately \$3 million, all of which expire in the years 2004 and 2005. For financial statement purposes, the Company has recognized the tax benefits relating to the net operating loss carryforwards, but has not recognized the tax benefits relating to the business credit carryforwards. For financial statement purposes the Company has also recognized the tax benefits relating to contribution carryforwards of \$2.5 million out of a total of approximately \$11 million of such carryforwards which expire between the years 1991 and 1995.

Income tax payments were \$2.4 million in 1990, \$7.2 million in 1989, and \$11.7 million in 1988.

The Company and The Neiman Marcus Group entered into a Tax Allocation Agreement (the "Agreement") in connection with the Company's Restructuring. Under the Agreement, The Neiman Marcus Group is responsible for the payment of certain taxes which

are, or may become payable as a result of the transition rules of the Tax Reform Act of 1986, as they relate to installment sales, bad debt reserves, and inventory capitalization attributable to the specialty store business for periods prior to the Restructuring. The Neiman Marcus Group disputed their potential obligation of approximately \$24 million for taxes arising under the Agreement. This includes approximately \$14 million reflected by the Company in current accounts receivable and \$10 million which would be payable to The Neiman Marcus Group if they prevailed. During 1989, the Company commenced litigation seeking a declaration of The Neiman Marcus Group's obligation for such taxes as they become due. In response, The Neiman Marcus Group counter claimed to recover approximately \$6 million relating to the treatment of other taxes under the Agreement and disputed their obligation to \$2 million of such taxes reflected by the Company in current accounts receivable. In the opinion of management, the Company should prevail in such litigation, although no assurances can be given in this regard.

#### Accounts Receivable and Credit Operations

Accounts receivable at year end comprise the following:

(In millions)	1990	1989
Customer receivables	\$709.2	\$698.6
Other receivables		
Income taxes	2.0	14.8
The Neiman Marcus Group	19.0	28.9
Other	26.9	14.4
	757.1	756.7
Less allowance for doubtful accounts	11.2	10.4
Accounts receivable, net	\$745.9	\$746.3

The receivable from The Neiman Marcus Group at August 4, 1990, includes approximately \$16 million under the Tax Allocation Agreement entered into at the time of the Restructuring, with the balance representing amounts for shared costs and other reimbursable expenses incurred by the Company. Fees received from The Neiman Marcus Group in connection with information services support provided through fiscal 1990, have been treated as a reduction of selling, general, and administrative expenses.



Selected credit operations information is as follows:

(Dollar amounts in millions)	1990	1989	1988
Credit sales as a percent of gross sales	57.3%	58.5%	53.2%
Uncollectible account losses, net of recoveries, as a percent of credit sales	2.2%	1.4%	1.2%
Finance charge income	\$125.0	\$94.9	\$65.4

Term changes announced in July 1988, combined with an expanded new account marketing program, resulted in the growth of credit sales from 53 percent of total sales in 1988 to 57 percent in 1990. Finance charge revenue is treated as a reduction of selling, general, and administrative expenses.

#### Inventories

Merchandise inventories were \$550.4 million at August 4, 1990 and \$562.5 million at July 29, 1989. In 1990, the LIFO method of accounting resulted in a charge of \$22.2 million to cost of sales compared with charges of \$.3 million in 1989, and \$4.8 million in 1988. If all inventories had been valued on the first-in, first-out (FIFO) basis, they would have been higher by \$72.0 million at August 4, 1990, \$49.8 million at July 29, 1989, and \$52.4 million at July 30, 1988.

#### Leases

Certain Company operations are conducted in leased properties, which include retail stores, distribution centers, offices, and other facilities. Leases are generally for periods of up to thirty years, with renewal options for substantial periods. Leases are generally at fixed rentals, except that certain leases provide for additional rentals based on sales in excess of predetermined levels.

Rent expense for each year is as follows:

(In millions)	1990	1989	1988
Minimum rent	\$35.5	\$33.4	\$33.1
Rent based on sales	3.7	3.6	3.8
Total rent expense	\$39.2	\$37.0	\$36.9

Future minimum lease payments are as follows:

(In millions)	Capital Leases	Operating Leases
1991	\$ 9.2	\$ 37.8
1992	9.0	37.7
1993	9.0	38.1
1994	8.8	37.7
1995	8.7	38.2
Thereafter	90.6	580.9
Total future minimum lease obligations	\$135.3	\$770.4
Present value, including \$3.0 million current portion of capital lease obligations	\$ 70.1	\$271.1

Present value of operating leases is determined by discounting future minimum rent commitments, less assumed executory and administrative costs, at rates that approximate the Company's financing costs at the inception of the lease.

#### Property and Equipment

Property and equipment at year end were as follows:

(In millions)	1990	1989
Land	\$ 47.4	\$ 46.9
Buildings and improvements	389.4	352.0
Leasehold improvements	86.5	83.3
Fixtures and equipment	447.4	440.6
Construction in progress	67.7	38.0
Leased property under capital leases, primarily buildings	100.6	116.0
	1,139.0	1,076.8
Less accumulated depreciation and amortization		
Owned property	493.5	458.3
Leased property under capital leases	49.2	57.5
	542.7	515.8
Property and equipment, net	\$ 596.3	\$ 561.0



Capital expenditures during the year were as follows:

(In millions)	1990	1989	1988
New stores	\$41.7	\$15.9	\$ 9.9
Store modernization and support facilities	36.9	51.0	45.4
Purchases of leased stores	4.6	8.9	24.9
Total capital expenditures	\$83.2	\$75.8	\$80.2

Expenditures for new stores include acquisition costs of land, buildings and improvements, and related fixtures and equipment. Store modernization expenditures include renovating, expanding, and re-equipping existing stores. Expenditures on support facilities relate to office buildings, distribution centers, and other nonstore outlays. During the last three fiscal years, certain properties previously operated under capital or operating leases were purchased and subsequently used as collateral for certain long-term debt financings.

#### Long-Term Debt

Long-term debt at year end was as follows:

(In millions)	1990	1989
Receivables based financing maturing 1991 (8.7 percent weighted average interest rate at August 4, 1990)	\$ 678.6	\$ 652.4
Other long-term debt		
Term loans due in 1995 (8.7 percent at August 4, 1990)	126.7	126.7
9.9 percent Notes due 1991-2010	9.3	9.5
10.69 percent Notes due 1992-1997	347.2	347.2
10.2 percent Notes due 1992-1996	30.0	
13.0 percent real estate bridge loan		38.0
Other	9.5	7.0
	1,201.3	1,180.8
Subordinated debt		
12.25 percent Notes due 1996	125.0	125.0
12.5 percent Debentures due 1998-2002	225.0	225.0
Total long-term debt	\$1,551.3	\$1,530.8

The Company funds its credit card activities through a credit card receivables securitization facility which provides for CHH Commercial Paper, Inc., a special purpose corporation not affiliated with the Company, to acquire interests in the Company's credit card receivables through the issuance of commercial paper. The initial term of the facility is for the three-year period ending December 1991, with provision for annual extensions thereafter. During the second quarter of 1990, the Company negotiated a \$150.0 million increase in this facility to provide for up to \$850.0 million of financing and to allow for the funding of customer receivables under the Company's deferred billing plans. At August 4, 1990, \$678.6 million was financed under this facility of which 69 percent was protected from significant rate fluctuations by swap and interest rate cap agreements for periods of four to sixteen months.

During the fourth quarter of 1990, the Company completed \$30 million of real estate mortgage financings. The loans, which are collateralized by three of the Company's stores, are repayable based on a 300 month amortization schedule, beginning in October 1992 with the remaining balance due in March 1996. Proceeds from these loans were used to retire a 13.0 percent real estate bridge loan.

The cancellation of a working capital facility in 1989, as a result of the establishment of the receivables securitization facility, and the refinancing of debt on certain mortgaged properties in 1989 and 1988 resulted in extraordinary net of tax charges of \$9.2 million in 1989 and \$1.7 million in 1988.

Principal maturities of long-term debt payable over the next five years, exclusive of borrowings under the receivables securitization facility, are \$.7 million in 1991, \$.8 million in 1992, \$2.3 million in 1993, \$2.8 million in 1994, and \$129.8 million in 1995.



Long-term debt includes \$523.4 million secured by property with a net carrying value of \$273.2 million.

The Company's debt agreements include restrictions on capital expenditures and require the maintenance of certain financial ratios. The subordinated debt agreements restrict the payment of cash dividends unless the consolidated net worth of the Company exceeds \$600.0 million.

#### Bank Credit Arrangements

In the fourth quarter of 1990, the Company finalized negotiations for the extension of its working capital agreement through March 1992. The new facility initially provides up to \$65.0 million in working capital advances and issuances of up to \$75.0 million in letters of credit. The commitment for working capital advances expires March 1991 and the expiration date on letters of credit can be no later than March 1992. Borrowings under the facility bear interest at variable rates, with a commitment fee of one-half percent per annum payable on the unused portion of the facility. In addition, per annum fees of between 1 percent and 2 percent are charged on letters of credit issued under this facility. At August 4, 1990, \$40.0 million in advances, bearing interest at 11.4 percent, and \$60.0 million in letters of credit were outstanding under this facility.

#### Retirement and Profit Sharing Plans

The Company has several qualified noncontributory pension plans covering substantially all employees. Employees who have completed one year of employment, are at least 21 years of age, and are not covered by a collectively bargained pension plan, are covered by the plans and become vested for benefit purposes after completing five years of employment with the Company. The Company also has unfunded nonqualified pension plans covering certain employees and directors. The Company contributes at least the actuarially determined minimum amount necessary to fund participants' benefits in accordance with the requirements of the Employee Retirement Income Security Act of 1974. Plan assets are invested in equity and fixed income securities.

The following table summarizes pension expense and funded status of the plans, as determined by the Company's actuary, together with an analysis of the significant actuarial assumptions used:

(In millions)	1990	1989	1988
<b>Net periodic pension expense</b>			
Service cost	\$ 5.6	\$ 4.9	\$ 5.9
Interest cost on projected benefit obligation	15.3	14.2	13.0
Actual net loss (return) on assets	(4.0)	(10.2)	2.8
Net amortization (deferral)	(4.0)	2.2	(11.5)
	<u>\$ 12.9</u>	<u>\$ 11.1</u>	<u>\$ 10.2</u>
<b>Funded status of plans</b>			
Accumulated benefit obligation			
Vested	\$(159.4)	\$(145.7)	\$(133.3)
Nonvested	(4.7)	(8.1)	(9.3)
	<u>(164.1)</u>	<u>(153.8)</u>	<u>(142.6)</u>
Additional amounts relating to projected compensation increase	(19.8)	(19.0)	(23.7)
Actuarial present value of projected benefit obligations	(183.9)	(172.8)	(166.3)
Market value of plan assets	98.2	95.1	92.6
	<u>(85.7)</u>	<u>(77.7)</u>	<u>(73.7)</u>
<b>Funded status</b>			
Unrecognized net obligation at initial date of application of SFAS No. 87	33.1	35.1	37.6
Unrecognized net loss	29.9	24.2	29.1
Unrecognized prior service costs	3.9	2.2	
Additional minimum liability recognized under SFAS No. 87	(47.1)		
	<u>\$ (65.9)</u>	<u>\$ (16.2)</u>	<u>\$ (7.0)</u>
<b>Pension liability</b>			
Significant actuarial assumptions			
Discount rate	9.5%	9.5%	9.0%
Long-term rate of return on assets	11.0	11.0	11.0
Projected rate of compensation increases	5.0	5.0	5.0

In addition, the Company provides certain health care and life insurance benefits for retired employees. As currently administered, substantially all Company employees become eligible for those benefits if they reach normal retirement age while working for the Company. The cost of retiree health care and life insurance benefits is recognized as expense when paid. The Company expensed claims for \$2.8 million in 1990, \$2.9 million in 1989, and \$2.5 million in 1988.



A contributory Profit Sharing Plan is available to substantially all employees who have completed one year of service. The Plan provides that the Company will contribute an amount which is the greater of 3 percent of consolidated pretax earnings (as defined in the Plan agreement) or an amount which is at least equal to 25 percent of employee contributions. Employee and Company contributions are used to buy shares of the Company's common stock at prevailing market prices. Company contributions to the Plan were \$3.7 million in 1990, \$3.2 million in 1989, and \$2.8 million in 1988. The Plan, at August 4, 1990, held 13.7 million shares representing 46 percent of the Company's common stock outstanding.

As part of the Restructuring, an Employee Benefits Agreement was entered into with The Neiman Marcus Group which provides that The Neiman Marcus Group will be responsible for 50 percent of the unfunded liabilities which were accrued prior to the Restructuring and were attributable to the Company's corporate employees (including employees of the Information Services division), under the pension, deferred compensation, and medical and life insurance plans. The agreement also provides that the Company and The Neiman Marcus Group jointly and unconditionally guarantee the unfunded liabilities accrued prior to the Restructuring for corporate employees under the nonqualified pension plan and the deferred compensation plan. Such guarantee shall continue in effect until the Company's net worth exceeds \$300 million.

#### Employee Stock Incentive Plans

The Company's stock incentive plan provides for the issuance of stock options, stock purchase rights, and restricted stock awards to key employees. Stock options are granted to purchase common stock of the Company at not less than the market price on the date of grant and are exercisable over a ten-year period, generally beginning one year from the date of grant. Pursuant to the Company's

stock incentive plan, exercises of stock purchase rights result in the issuances of shares of common stock of the Company in return for executed non-recourse interest bearing notes which become due in six years. Shares issued as a result of the exercise of stock purchase rights are held by the Company as collateral for the notes. Restricted stock awards are shares issued at no cost to the employee but which vest only after the completion of six years of continuous employment with the Company subsequent to the grant date.

During 1990, options for 157,500 shares, 30,000 stock purchase rights, and 67,000 restricted stock awards, were issued under this plan at prices ranging from \$5.375 to \$13.50. At August 4, 1990, options for 237,850 shares were outstanding at exercise prices ranging from \$5.375 to \$14.00 of which 32,675 were exercisable. In addition, at August 4, 1990, \$10.5 million of 7.90 percent to 9.69 percent non-recourse notes relating to .8 million shares issued as a result of the exercise of stock purchase rights and \$5.8 million of unamortized costs relating to .9 million shares issued as a result of the granting of restricted stock awards, are reflected as reductions in shareholders' equity. The cost of the restricted stock awards is being expensed over the vesting period, resulting in a charge to income of \$1.3 million in 1990, \$1.9 million in 1989, and \$1.8 million in 1988.

At August 4, 1990, under stock incentive plans in existence at the time of the Restructuring, options for 2.8 million shares were outstanding and exercisable at prices ranging from \$2.67 to \$7.30. During 1990, .3 million options were exercised at prices ranging from \$2.67 to \$7.07 under these plans. Subsequent to the Restructuring, no new options can be granted under these plans.

#### Contingencies

The Company is a defendant in certain legal actions. In the opinion of management, the disposition of these actions will not have a material adverse effect upon the Company's financial position or results of operations.



#### *Common Stock and Other Shareholders' Equity*

At August 4, 1990, authorized common stock consists of 100 million shares, \$.01 par value, of which 3.4 million shares were reserved under the employee stock incentive plans and 1.1 million shares were reserved for purchase by the Profit Sharing Plan.

On August 26, 1987, the Company declared a dividend of one Preferred Stock Purchase Right (the Right) for each outstanding share of common stock. The Rights expire 10 years after issuance, and are exercisable only if a person or group (other than the Profit Sharing Plan) acquires 20 percent or more of the Company's common stock or commences a tender or exchange offer which would result in the acquisition of 30 percent or more of the Company's common stock. Each Right entitles the holder to purchase one newly-issued unit of preferred stock at an exercise price of \$60. Under certain circumstances, as provided in the Rights Plan, each Right entitles the holder to purchase common stock of the Company or an acquiring company having a value equal to twice the exercise price. The Company may redeem the Rights at \$.02 per Right at any time prior to 10 days after the acquisition of 20 percent of the Company's common stock.

#### *Preferred Stock*

The authorized preferred stock of the Company consists of five million shares, \$.01 par value, of which no amounts were reserved or outstanding at August 4, 1990.

#### *Subsequent Event*

On October 9, 1990, the Company entered into an agreement to sell its wholly-owned subsidiary, Thalhimier Brothers, Inc. to May Department Stores Company for approximately \$325 million subject to closing adjustments. The Company anticipates that the transaction will close prior to December 31, 1990. Thalhimiers operating results are reflected in all periods presented. Its sales were \$445.9 million in 1990, \$403.0 million in 1989, and \$367.1 million in 1988.



## Company and Independent Accountant Reports

### *Company Report on Responsibility for Financial Statements*

The integrity and objectivity of the financial statements, including estimates and judgments inherent in the preparation of financial information and the selection of appropriate accounting principles, are the responsibilities of the Company, as is all other information included in this Annual Report.

The Company maintains a system of internal accounting controls, supported by documentation, to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Company. Limitations exist in any system of internal accounting controls based upon the recognition that the cost of the system should not exceed the benefits derived. The Company believes its system of internal accounting controls, augmented by its internal auditing function, appropriately balances the cost/benefit relationship. The system provides for the prevention or detection of material errors and has been implemented and supported by written policies and guidelines, the internal audit function, a division of responsibility in organizational arrangements, and the selection and training of qualified personnel.

The financial statements have been audited by our independent accountants in accordance with generally accepted auditing standards in order that they might render their independent professional opinion. To express their opinion, independent accountants develop and maintain an understanding of the accounting and financial systems and controls, conduct tests, and employ such related audit procedures as they consider necessary.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the independent accountants, management, and internal auditors to discuss accounting principles, financial and accounting controls, the scope of the annual audit, internal audit, and other matters. Management's selection of independent accountants is reviewed by this committee and the independent accountants and the internal auditors have complete access to it, without management present, to discuss results of their audit and their opinions on adequacy of internal controls, quality of financial reporting, and any other matters of interest.

### *Report of Independent Accountants*

To the Board of Directors and Shareholders of  
Carter Hawley Hale Stores, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, cash flows, and common stock and other shareholders' equity present fairly, in all material respects, the financial position of Carter Hawley Hale Stores, Inc. and its subsidiaries at August 4, 1990 and July 29, 1989, and the results of their operations and their cash flows for each of the three fiscal years in the period ended August 4, 1990, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in the Changes in Accounting Policies section of the Summary of Significant Accounting Policies, the Company changed its method of accounting for pension obligations in fiscal 1990, its method of accounting for income taxes in fiscal 1989 and its method of accounting for certain indirect costs incurred in the acquisition of merchandise inventories in fiscal 1988. We concur with the changes in accounting.

*Price Waterhouse*

Price Waterhouse  
Los Angeles, California  
October 2, 1990, except for the  
Subsequent Event section of the  
Financial Review, which is as of  
October 9, 1990.

Price Waterhouse





Carter Hawley Hale Stores, Inc.

Quarterly Information (Unaudited)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
(Dollar amounts in millions, except per share data)					
1990*					
Sales	\$658.8	\$984.8	\$590.9	\$623.3	\$2,857.8
Percent change from prior year					
Total sales basis	3.5	5.8	(.8)	(.2)	2.5
Comparative store sales basis	4.0	2.5	1.3	.9	2.0
Cost of goods sold, including occupancy and buying costs	471.0	714.2	427.2	473.0	2,085.4
Selling, general, and administrative expenses	149.0	189.9	130.7	148.0	617.6
Interest expense	43.1	44.5	42.2	44.4	174.2
Interest income				(12.7)	(12.7)
Other (income) expense	1.4	2.8	1.8	(1.2)	4.8
Earnings (loss) from operations before income taxes	(5.7)	33.4	(11.0)	(28.2)	(11.5)
Income taxes	(2.3)	13.4	(4.4)	(8.7)	(2.0)
Earnings (loss) from operations	(3.4)	20.0	(6.6)	(19.5)	(9.5)
Extraordinary costs	(10.5)			(6.0)	(16.5)
Net earnings (loss)	\$ (13.9)	\$ 20.0	\$ (6.6)	\$ (25.5)	\$ (26.0)
Earnings (loss) per common share					
Operations	\$ (.16)	\$ .80	\$ (.24)	\$ (.70)	\$ (.37)
Extraordinary costs	(.49)			(.22)	(.66)
	\$ (.65)	\$ .80	\$ (.24)	\$ (.92)	\$ (1.03)
1989					
Sales	\$636.7	\$930.7	\$595.4	\$624.6	\$2,787.4
Percent change from prior year					
Total sales basis	4.3	7.5	9.0	5.1	6.5
Comparative store sales basis	3.4	6.5	8.0	4.2	5.6
Cost of goods sold, including occupancy and buying costs	450.3	674.7	423.5	452.7	2,001.2
Selling, general, and administrative expenses	156.2	179.0	136.0	136.2	607.4
Interest expense	36.9	40.4	41.3	41.8	160.4
Other expense				6.0	6.0
Earnings (loss) from operations before income taxes	(6.7)	36.6	(5.4)	(12.1)	12.4
Income taxes	(2.7)	14.7	(2.2)	(4.8)	5.0
Earnings (loss) from operations	(4.0)	21.9	(3.2)	(7.3)	7.4
Extraordinary costs		(8.3)		(.9)	(9.2)
Change in accounting	15.3				15.3
Net earnings (loss)	\$ 11.3	\$ 13.6	\$ (3.2)	\$ (8.2)	\$ 13.5
Earnings (loss) per common share					
Operations	\$ (.18)	\$ 1.01	\$ (.15)	\$ (.35)	\$ .34
Extraordinary costs		(.38)		(.04)	(.42)
Change in accounting	.70				.70
	\$ .52	\$ .63	\$ (.15)	\$ (.39)	\$ .62

\*Fiscal 1990 was a 53 week year, with the extra week included in the second quarter of the year.

Closing Market Price Ranges of Common Stock	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1990 (53 weeks ended August 4, 1990)	\$14 1/4-8 3/4	\$9 1/4-6 1/8	\$8 -5 3/8	\$6 3/8-4 7/8	\$14 1/4-4 7/8
1989 (52 weeks ended July 29, 1989)	10 1/8-8 7/8	9 3/8-7 3/4	9 1/8-8 1/8	14 1/2-9	14 1/2-7 3/4
The New York Stock Exchange is the principal market on which the common stock is traded.					



Carter Hawley Hale Stores, Inc.

Five Year Financial Summary

	1990 (53 weeks)	1989 (52 weeks)	1988 (52 weeks)	1987 (26 weeks)	1986 (52 weeks)	1985 (52 weeks)
(Dollar amounts in thousands, except per share data)						
For the Year						
Sales	\$2,857,819	\$2,787,393	\$2,617,143	\$1,164,338	\$2,995,977	\$2,889,950
Percent increase from prior year	2.5	6.5	.7 <sup>(4)</sup>	5.8 <sup>(5)</sup>	3.7	5.1
Cost of goods sold, including occupancy and buying costs	2,085,344	2,001,188	1,879,664	919,764	2,168,653	2,123,185
Selling, general, and administrative expenses	617,580	607,441	587,869	349,185	685,680	660,346
Interest expense	174,234	160,344	135,600	28,134	82,915	91,203
Interest income	(12,700)					
Other (income) expense <sup>(1)</sup>	4,831	6,000	(1,500)	42,850	27,200	
Pretax earnings (loss) from continuing operations	(11,470)	12,420	15,510	(175,595)	31,529	15,216
Income taxes	(2,000)	5,000	6,200	(68,300)	26,500	(3,000)
Earnings (loss) from continuing operations	(9,470)	7,420	9,310	(107,295)	5,029	18,216
Discontinued operations, net of income taxes <sup>(2)</sup>				(63,578)	42,586	29,809
Extraordinary costs and changes in accounting <sup>(3)</sup>	(16,500)	6,050	8,350		(43,401)	
Net earnings (loss)	\$ (25,970)	\$ 13,470	\$ 17,660	\$ (170,873)	\$ 4,214	\$ 48,025
Cash dividends	\$	\$	\$ 2,055	\$ 21,155	\$ 54,255	\$ 53,638
Per Common Share						
Earnings (loss) from continuing operations	\$ (.37)	\$ .34	\$ .33	\$ (6.06)	\$ (1.23)	\$ (.60)
Cash dividends				.305	1.22	1.22
At Year End						
Accounts and other receivables, net (including accounts sold)	\$ 745,883	\$ 746,305	\$ 473,826	\$ 546,819	\$ 520,696	\$ 656,644
Merchandise inventories	550,433	562,514	536,656	432,866	497,924	550,239
Owned property and equipment, net	544,846	502,458	472,658	411,905	440,213	480,847
Leased property under capital leases, net	51,478	58,518	63,003	90,178	96,879	108,965
Total assets	2,045,194	1,988,365	1,671,622	1,922,086	1,905,807	2,116,410
Receivables based financing	678,646	652,432	351,000	149,000	191,000	261,000
Other long-term debt	872,687	878,421	826,248	620,820	336,452	309,088
Capital lease obligations	67,110	78,244	83,168	112,042	119,783	135,033
Redeemable preferred stock				300,000	300,000	300,000
Common stock and other shareholders' equity	(193,820)	(211,617)	(230,191)	145,772	324,207	359,354
Common shares outstanding	29,848	23,060	22,592	20,367	20,042	19,559
(in thousands)	22,330	21,761	20,984	16,211	9,951	12,205
Common shareholders	36,000	37,000	37,000	37,000	37,000	45,000
Employees						

(1) Includes gains on asset sales of \$7.3 million in 1990 and \$30.0 million in 1988, costs of buying office closure and reconfiguration of buying programs of \$12.1 million in 1990 and \$6.0 million in 1989, costs of operational and facility realignment programs of \$28.5 million in 1988 and \$15.7 million in 1987, loss on sale of John Wanamaker of \$4.0 million in 1987 and \$2.2 million in 1986, and costs relating to the restructuring program of \$23.1 million in 1987 and \$25.0 million in 1986.

(2) Reflects operating results of the Company's specialty store divisions comprising Bergdorf Goodman, Contempo Casuals, and Neiman Marcus.

(3) Includes extraordinary charge of \$16.5 million in 1990 for the uninsured loss associated with the October 1989 San Francisco earthquake, income from changes in accounting for income taxes of \$15.3 million in 1989 and for capitalization of certain inventory costs of \$10.1 million in 1988, costs relating to early retirements of debt of \$9.2 million in 1989, \$1.7 million in 1988 and \$29.3 million in 1986, and charge for change in accounting for computer software development costs of \$14.1 million in 1986.

(4) Sales increase on a comparative twelve month basis, excluding 1987 sales of John Wanamaker and two Broadway-Southwest stores which were sold.

(5) Sales increase on a comparative six month basis, excluding 1986 sales of John Wanamaker.



Carter Hawley Hale Stores, Inc.

Directors

Caroline Leonetti Ahmanson,  
Chairman of the Board of Caroline Leonetti Ltd.  
Director since 1987.<sup>(1)(2)(3)</sup>

Norman Barker, Jr.  
Former Chairman of the Board of First Interstate Bank of  
California and Vice Chairman of First Interstate Bancorp.  
Director since 1970.<sup>(1)(2)(3)</sup>

Waldo H. Burnside  
President and Chief Operating Officer of Carter Hawley Hale  
Stores, Inc.  
Director since 1980.<sup>(1)</sup>

Edward W. Carter  
Chairman of the Board Emeritus of Carter Hawley Hale Stores, Inc.  
Director since 1946.<sup>(1)</sup>

Myron Du Bain  
Chairman and Chief Executive Officer, Retired, of Fund  
American Companies, Inc.  
Director since 1987.<sup>(2)(3)(4)</sup>

Walter B. Gerken  
Chairman of the Executive Committee of Pacific Mutual Life Insur-  
ance Company.  
Director since 1977.<sup>(1)(2)(3)(4)</sup>

Prentis C. Hale  
Former Chairman of the Board of Carter Hawley Hale Stores, Inc.  
Director since 1949.<sup>(5)</sup>

Philip M. Hawley  
Chairman of the Board and Chief Executive Officer of  
Carter Hawley Hale Stores, Inc.  
Director since 1970.<sup>(1)</sup>

Harold J. Haynes  
Senior Counselor to the Bechtel Group, Inc.  
Director since 1977.<sup>(1)(2)(3)(4)</sup>

Leland C. McGraw  
Retired Vice President, Finance and Chief Financial Officer of  
Chevron Corporation.  
Director since 1989.<sup>(2)(3)(5)</sup>

Donn B. Miller  
Partner in the Los Angeles-based law firm of O'Melveny & Myers.  
Director since 1974.<sup>(1)</sup>

Sidney R. Petersen  
Retired Chairman of the Board and Chief Executive Officer of  
Getty Oil Company.  
Director since 1989.<sup>(2)(3)(4)</sup>

Dennis C. Stanfill  
Chairman and Chief Executive Officer of AME, Inc.  
Director since 1987.<sup>(1)(2)(3)</sup>

William B. Thalhimier, Jr.  
Chairman of the Board of Thalhimier Brothers, Incorporated,  
a subsidiary of Carter Hawley Hale Stores, Inc.  
Director since 1978.<sup>(1)(5)</sup>

- (1) Executive Committee
- (2) Audit Committee
- (3) Compensation Committee
- (4) Nominating Committee
- (5) Public Policy Committee



## Corporate Officers and Division Management

### *Corporate Officers*

Philip M. Hawley  
Waldo H. Burnside  
Robert A. Dourian  
Loyd E. Ellis  
John M. Gailys  
H. Michael Hecht  
Martin M. Kalkstein  
Richard G. Campbell  
Paul E. Chevalier  
Theodore J. Cotti  
Brian L. Fleming  
Edwin J. Holman  
J. Scott Meyer  
Larry G. Petersen  
Thomas E. Brown  
D. Clair Brumbaugh  
John F. Busey  
Arthur G. Coons  
William E. Dombrowski  
J. Lawrence Fiedler  
Robert J. Gilmartin  
Serena S. Kokjer  
Patricia M. Paolilli  
Angela Johndreau Perrin  
Gary J. Peterson  
E. Harlin Smith  
Dale G. Thune  
Dwight L. Totten  
Walter W. Tuthill  
Howard Wallach  
Edward A. Wolfe  
James L. Vandenberg

### *Division Management*

*The Broadway-Southern California*  
H. Michael Hecht, Chairman & CEO  
Richard F. Clayton, Vice Chairman  
Thomas E. Dokter, President

*The Broadway-Southwest*  
Carolyn F. Greer, President & CEO

### *Emporium*

Barbara Bass, President & CEO  
Jack L. Richardson, Chairman

Chairman of the Board & Chief Executive Officer  
President & Chief Operating Officer  
Executive Vice President  
Executive Vice President  
Executive Vice President & Chief Financial Officer  
Executive Vice President  
Executive Vice President  
Senior Vice President, Credit Services  
Senior Vice President, Employee Relations  
Senior Vice President, Human Resource Development  
Senior Vice President, Accounting & Taxes  
Senior Vice President, Operations  
Senior Vice President, Store Planning & Construction  
Senior Vice President, Planning  
Vice President, Credit  
Vice President, Income Tax  
Vice President, Treasurer  
Vice President, Marketing  
Vice President, Corporate Affairs  
Vice President, Risk Management  
Vice President, Real Estate  
Vice President, Management Information Services  
Vice President, Executive Development  
Vice President, Store Planning  
Vice President, Distribution  
Vice President, Investor Relations  
Vice President, Property & Sales Tax  
Vice President, Operations Support  
Vice President, General Auditor  
Vice President, Construction  
Vice President, Loss Prevention  
Secretary & Corporate Counsel

### *Thalhimer*

William B. Thalhimer, Jr., Chairman  
Robert J. Rieland, President & CEO

### *Weinstocks*

Gregory C. Crews, President & CEO

### *Information Services*

R. Vincent Conant, Chairman & CEO  
Robert M. Menar, President



## Shareholder Information

**Executive Offices** 444 South Flower Street, Los Angeles, California 90071, Telephone: (213) 620-0150

**Common Stock** Symbol: CHH, New York Stock Exchange, Pacific Stock Exchange, London Stock Exchange

**Transfer Agent** Security Pacific National Bank, Corporate Services Division, GT-070, P.O. Box 3546, Terminal Annex, Los Angeles, California 90051

**Independent Accountants** Price Waterhouse

**General Counsel** O'Melveny & Myers

**Form 10-K** A copy of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission is available upon request to: The Secretary, Carter Hawley Hale Stores, Inc., 444 South Flower Street, Los Angeles, California 90071.



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